

**REPORT OF THE AUDIT OF THE
JEFFERSON COUNTY
CLERK**

**For The Year Ended
December 31, 2002**



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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Jerry E. Abramson, Mayor, Louisville-Jefferson County Metro Government

Honorable Ken Herndon, Jefferson County Judge/Executive

Honorable Bobbie Holsclaw, Jefferson County Clerk

Members of the Louisville Metro Government

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Jefferson County, Kentucky, for the year ended December 31, 2002.

We engaged Carpenter, Mountjoy & Bressler, PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC evaluated the Jefferson County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
JEFFERSON COUNTY
CLERK**

**For The Year Ended
December 31, 2002**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JEFFERSON COUNTY CLERK

**For The Year Ended
December 31, 2002**

Carpenter, Mountjoy & Bressler, PSC has completed the Jefferson County Clerk's audit for the year ended 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fee account balances increased by \$496,811 from the prior calendar year, resulting in a cash surplus of \$2,744,958 as of December 31, 2002. Revenues increased by \$350,966 from the prior year and disbursements increased by \$683,413.

Lease Obligations:

The clerk's office is responsible for the following leases:

<u>Item Purchased</u>	<u>Monthly Payments</u>	<u>Terms of Agreements</u>	<u>Ending Dates</u>	<u>Principal Balance December 31, 2002</u>
Copy Machine (18)	\$ 2,826	48 Months	1/26/2003	\$ -
Copy Machine	814	60 Months	1/27/2005	19,536
Copy Machine	236	48 Months	6/21/2004	4,012
Postage Machine	175	72 Months	5/30/2006	7,000
Postage Machine	649	48 Months	3/30/2004	9,086
				<hr/>
				\$ 39,634

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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To the People of Kentucky

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Members of the Louisville Metro Government

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Clerk of Jefferson County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2002. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

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In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in dark ink on a light-colored background.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -
October 1, 2003

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For The Year Ended December 31, 2002

Receipts

State Fees For Services	\$	279,848
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Fiscal Court		136,109
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	13,392,615
Usage Tax		67,147,600
Tangible Personal Property Tax		52,874,550

Licenses-

Marriage		203,120
Beer and Liquor		410,663
Beer and Liquor (Reimbursed)		15,164 *
Shelter for Spouse Abuse		57,910

Deed Transfer Tax		3,125,748
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Delinquent Taxes		7,804,126
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Delinquent Taxes (Reimbursed)	10,957 *	145,042,453
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	392,901
Real Estate Mortgages		956,961
Chattel Mortgages and Financing Statements		1,381,769
Powers of Attorney		52,844
Bail Bonds		4,641
Tax Liens		158,326
Extra Pages		1,318,333
Assignments		125,406
All Other Recordings		6,390
Releases		679,254
Probate		32,000
Lien holder Penalties		31,981
Corporation and Business		66,512

5,207,318

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS
For The Year Ended December 31, 2002
(Continued)

Receipts (Continued)

Other Receipts:

Candidate Filing Fees	\$	35,850	
Certified Copies		29,726	
Interest Income		76,055	
Legal Records - Clerk Expense (Reimbursed)		379,572	*
Phone/Fax		195	*
Notary		334,539	*
Postage		221,037	*
Tracing		4,355	*
Photosat		23,343	*
Motor Vehicle - Miscellaneous		183,684	
Returned Check Fees		16,543	*
Library		30	
Miscellaneous		14,096	
Miscellaneous (Reimbursed)		4,777	*
			\$ 1,323,802

Total Receipts \$ 151,989,530

Disbursements

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$	9,946,103	
Usage Tax		65,133,030	
Tangible Personal Property Tax		19,644,668	
Delinquent Tax		967,446	
Legal Process Tax		589,766	
Candidate Filing Fees		21,510	\$ 96,302,523

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	5,644,914	
Delinquent Tax		945,917	
Deed Transfer Tax		2,969,460	
Beer and Liquor Licenses		409,636	9,969,927

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLAW, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS
For The Year Ended December 31, 2002
(Continued)

Disbursements (Continued)

Payments to Other Districts:

Tangible Personal Property Tax	\$	25,469,986	
Delinquent Tax		<u>4,087,011</u>	\$ 29,556,997

Payments to Sheriff			56,217
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Payments to County Attorney			1,117,857
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Payments to Library			29
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Operating Disbursements:

Other Charges-			
Bankcard Processing		<u>151,192</u>	

Total Disbursements			<u>\$ 137,154,742</u>
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Net Receipts			\$ 14,834,788
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Payments to State Treasurer:

75% Operating Fund	\$	11,478,277	
25% County Fund		<u>3,356,511</u>	<u>14,834,788</u>

Balance Due at Completion of Audit			<u><u>\$ 0</u></u>
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*Includes reimbursed expenses in the amount of \$1,426,439 for the audit period. See Note 1 of notes to financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLAW, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING
FUND AND COUNTY FUND WITH THE STATE TREASURER

For The Year Ended December 31, 2002

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2001	\$ 2,248,147	\$ 246,843	\$ 2,494,990
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	11,478,277		11,478,277
Fees Paid to State - County Funds (25%)		3,356,511	3,356,511
Total Funds Available	\$ 13,726,424	\$ 3,603,354	\$ 17,329,778
<u>Disbursements</u>			
Jefferson County Government	\$ 2,744,958	\$ 3,603,354	\$ 6,348,312
Officials Statutory Maximum	88,941		88,941
County Clerk's Expense Allowance	3,600		3,600
Personal Services-			
Deputies' Salaries	6,914,249		6,914,249
Overtime	116,523		116,523
Employee Cash Out	17,727		17,727
Employee Benefits-			
Employer's Share Social Security	498,630		498,630
Employer's Share Retirement	450,712		450,712
Employer's Paid Health Insurance	624,298		624,298
Employee Assistance Program	7,198		7,198
Unemployment Insurance	26,144		26,144
Occupancy			
Telephone	73,905		73,905
Mileage and Gasoline - Delivery	9,228		9,228
Maintenance and Repairs	112,324		112,324

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND
BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER
For The Year Ended December 31, 2002
(Continued)

	75% Operating Fund	25% County Fund	Totals
Services-			
Personal Service Contracts	178,646		178,646
Seasonal Help (Temps)	24,794		24,794
Security Services	36,597		36,597
Janitorial	28,088		28,088
Pager Service	2,236		2,236
Printing	86,381		86,381
Advertising	23,249		23,249
Supplies-			
Postage	187,118		187,118
Office Expense	215,418		215,418
Leases-Equipment	118,291		118,291
Meetings	12,616		12,616
Seminars	7,322		7,322
Tuition	13,137		13,137
Other Operating-			
Insurance and Bonds	32,875		32,875
Notary Bonds	411		411
Membership Dues	17,046		17,046
Subscriptions	26,753		26,753
Capital Outlay-			
Furniture and Fixtures	1,828		1,828
Remodeling and Renovations	233,851		233,851
Office Equipment	56,140		56,140
Computer Software	74,517		74,517
Computer Equipment	617,636		617,636
Vehicle	34,232		34,232
POS Project	8,805		8,805
Total Disbursements	\$ 13,726,424	\$ 3,603,354	\$ 17,329,778
Fund Balance - December 31, 2002	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2002
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided a surety bond which named the County Clerk as beneficiary/obligee on the bond.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2002
(Continued)

Note 4. Grants

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$9,282. No funds were expended during 2002.

Note 5. Lease

Commitments to the following lease agreements as of December 31, 2002 are:

<u>Item Purchased</u>	<u>Monthly Payments</u>	<u>Terms of Agreements</u>	<u>Ending Dates</u>	<u>Principal Balance December 31, 2002</u>
Copy Machine (18)	\$ 2,826	48 Months	1/26/2003	\$ -
Copy Machine	814	60 Months	1/27/2005	19,536
Copy Machine	236	48 Months	6/21/2004	4,012
Postage Machine	175	72 Months	5/30/2006	7,000
Postage Machine	649	48 Months	3/30/2004	9,086
				<u>\$ 39,634</u>

Note 6. Going Out of Business

This account is used for companies who must post a bond when they have a going out of business sale. After the sale the bond may be released to the company. The account had receipts of \$2,025 and no disbursements for calendar year 2002. The checking account had a balance of 2,035 as of December 31, 2002. The savings account had a balance of \$22,054 as of December 31, 2002.

Note 7. Bankruptcy Account

This account is used for bankruptcy payments from the Chapter 13 Bankruptcy Trustee. The payments from the trustee are for tangible property tax due the state or clerk or for delinquent property tax owed. The account had no receipts for calendar year 2002. The checking account had a balance of \$2,769 as of December 31, 2002. The savings account had a balance of \$75,612 as of December 31, 2002.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the People of Kentucky

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Gordon C. Duke, Secretary

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Honorable John E. Aubrey, Jefferson County Judge/Executive

Honorable Bobbie Holsclaw, Jefferson County Clerk

Members of the Louisville Metro Government

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the Jefferson County Clerk for the year ended December 31, 2002, and have issued our report thereon dated October 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jefferson County Clerk's financial statements as of December 31, 2002, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -
October 1, 2003

